

Message Text

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E.O. 11652: NA

TAGS: EINV, EG

SUBJ: ITT ACTIVITIES IN EGYPT

1. INTERNATIONAL TELEPHONE AND TELEGRAPH CO. (ITT) CAIRO
REP JACK VERDICH HAS TOLD US THAT HE HAS BEEN CALLED BACK TO
NEW YORK TO GIVE BRIEFING ON COMPANY'S OPERATIONS IN EGYPT AND
ON OVERALL EGYPTIAN COMMERCIAL/ECONOMIC SCENE AS IT RELATES TO
COMPANY'S INTERESTS.

2. AMONG PROJECTS IN WHICH ITT HAS BEEN INVOLVED HERE, AND WHICH
VERDICH WILL BE DISCUSSING DURING HIS NEW YORK VISIT, IS AN
ELABORATE SCHEME TO PROVIDE VOCATIONAL TRAINING (PRIMARILY IN THE
CONSTRUCTION TRADES) TO LARGE NUMBERS OF EGYPTIANS, WHO WOULD
THEN BE PLACED IN JOBS IN SAUDI ARABIA AND THE GULF. SUBSTANTIAL
PART OF TRAINING IS TO CONSIST OF CORRESPONDENCE COURSES, FOR
WHICH SPECIAL MATERIALS WILL BE PRODUCED. IN ADDITION TO SOCIAL
AND ECONOMIC BENEFITS TO EGYPT FROM DEVELOPMENT OF ITS MANPOWER
RESOURCES, AND TO SAUDI ARABIA FROM ADDITIONAL SUPPLIES OF
SKILLED LABOR, VENTURE IS EXPECTED TO BE PROFIT MAKING,
EARNING A RETURN FROM FEES CHARGED AND FROM SALE OF MATERIALS
DEVELOPED FOR COURSES.

3. INTERNATIONAL STANDARD ELECTRIC CO., AN ITT AFFILIATE,
WAS INITIALLY SUPPOSED TO BE EQUITY SHAREHOLDER IN PROJECT,
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AND HAD TAKEN STEPS TO SECURE OPIC INSURANCE. COMPANY
RECENTLY WITHDREW FROM DIRECT FINANCIAL PARTICIPATION, HOWEVER,
IN PART--ACCORDING TO ONE ACCOUNT--BECAUSE IT WAS "TURNED OFF"
BY OVER-ZEALOUS PROMOTIONAL EFFORTS ON PART OF SOME
EGYPTIANS INVOLVED. A MEMBER OF THE SAUDI ROYAL FAMILY IS NOW
TO BE THE MAJOR SHAREHOLDER. ALTHOUGH NO LONGER AN EQUITY
PARTNER, ITT WILL STILL HAVE SUBSTANTIAL INVOLVEMENT IN

PROJECT THROUGH ANOTHER SUBSIDIARY, FEDERAL ELECTRIC CORP., WHICH EXPECTS TO OBTAIN A MULTI-MILLION DOLLAR CONTRACT TO WORK ON DESIGN, PREPARATION OF MATERIALS AND IMPLEMENTATION.

4. ITT WAS ALSO INTERESTED AT ONE TIME IN POSSIBILITY OF SETTING UP JOINT VENTURE WITH EGYPTIANS TO PRODUCE TELEPHONE EQUIPMENT. THIS PROJECT MAY ALSO BE DISCUSSED BY VERDICH, IN VIEW OF RECENT CHANGES IN EGYPTIAN INVESTMENT LAW.

5. ANOTHER ITT AFFILIATE, NEDERLANDSCHE STANDARD ELECTRIC, HAS JOINED STILL-THIN RANKS OF FOREIGN INVESTORS IN EGYPT BY ESTABLISHING FREE-ZONE JOINT VENTURE WITH A SUBSIDIARY OF SUEZ CANAL AUTHORITY. NEW COMPANY, KNOWN AS SUEZ ELECTRONICS, SELLS ITT-PRODUCED NAVIGATIONAL EQUIPMENT AND SERVICES NAVIGATIONAL SYSTEMS ON SHIPS CALLING AT ALEXANDRIA OR TRANSITING SUEZ CANAL.
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